

**STATE OF ILLINOIS**

**ILLINOIS COMMERCE COMMISSION**

<b>Union Electric Company</b>	:	
	:	
<b>Request pursuant to Section 6-102 of the</b>	:	
<b>Illinois Public Utilities Act for an order</b>	:	
<b>authorizing Union Electric Company d/b/a</b>	:	<b>02-0484</b>
<b>AmerenUE to incur an indebtedness by</b>	:	
<b>undertaking the obligation to pay the</b>	:	
<b>principal, interest and redemption</b>	:	
<b>premium, if any, on up to \$174,000,000</b>	:	
<b>principal amount of Senior Secured Notes</b>	:	
<b>for the purpose of refunding, redeeming</b>	:	
<b>and/or refinancing outstanding evidences</b>	:	
<b>of indebtedness and preferred stock.</b>	:	

**ORDER**

By the Commission:

**I. INTRODUCTION**

On July 22, 2002, Union Electric Company d/b/a AmerenUE ("UE") filed a verified Informational Statement with the Illinois Commerce Commission ("Commission") pursuant to Section 6-102(d) of the Public Utilities Act ("Act"), 220 ILCS 5/1-101 et seq. The Informational Statement relates to a proposed issuance of up to \$174,000,000 aggregate principal amount of Senior Notes ("Notes") by UE for the purpose of refunding, redeeming, and/or refinancing outstanding evidences of indebtedness and preferred stock. The issuance is expected to close on or after August 6, 2002, subject to market conditions. On July 30, 2002, Commission Staff ("Staff") filed an Answer to the Informational Statement. In its Answer, Staff recommended that the Commission enter an Order pursuant to Section 6-102(d) of the Act authorizing the issuance. No hearings were held in this matter. There are no contested issues.

**II. UE'S INFORMATIONAL STATEMENT**

UE intends to issue one series of Notes. The terms of the Notes, including but not limited to the maturity, price, rate or method of calculation of interest and dates for payment thereof, and any redemption, prepayment or sinking fund provisions, will be determined at the time of sale. UE is currently contemplating issuing Notes having a final maturity of 10 to 30 years depending on spread differentials at the time of issuance. UE expects that the interest rate will be 6.8%; however, the actual interest rate will be determined at the time of the offering or periodically during the term of the Notes. Each Note will be denominated in United States dollars.

The Notes will be an initial issue of a new series of debt securities issued under, and secured by, an indenture ("Senior Note Indenture") between The Bank of New York, as trustee, and UE, the form of which is attached to the Informational Statement and identified as Exhibit A. Until the release date, all of the Notes outstanding under the Senior Note Indenture will be secured by one or more series of UE's senior note mortgage bonds issued under its first mortgage indenture, the terms of which will mirror the Notes. The senior note mortgage bonds are secured by a lien on substantially all of the property owned by UE. The release date will be the date that all of UE's first mortgage bonds issued and outstanding under its first mortgage indenture, other than senior note mortgage bonds, have been redeemed or retired. On the release date, the Notes will cease to be secured by the senior note mortgage bonds, will become UE's unsecured general obligations, and will rank equally with all of UE's unsecured and unsubordinated debt.

UE expects to sell the Notes in an underwritten public offering pursuant to a prospectus supplement and underlying base prospectus to be filed with the Securities and Exchange Commission ("SEC"). UE's underlying shelf registration statement on Form S-3 for the registration of the Notes was initially filed with the SEC on May 3, 2002. An underwriting agreement is to be executed between UE and Banc of America Securities LLC and Credit Suisse First Boston Corporation, which will serve as the lead underwriters for this financing. UE is also contemplating including additional underwriters for this financing, for which Banc of America Securities LLC and/or Credit Suisse First Boston Corporation may act as representatives.

UE will use up to \$132,000,000 of the proceeds from the sale of the Notes to refund its \$125,000,000 8.75% first mortgage bonds due December 1, 2021, currently subject to call at a redemption price of 104.38%, previously approved by the Commission in Docket No. 91-0540, and pay related expenses. The use of these proceeds are expected to be allocated as follows: (i) \$125,000,000 to refund the principal amount of the outstanding indebtedness, (ii) \$5,475,000 for the related redemption premium, and (iii) up to \$1,525,000 for related expenses including, but not limited to, fees paid to underwriters. UE intends to use the remaining \$42,000,000 of the proceeds from the sale of the Notes to redeem \$41,437,500 Series \$1.735 preferred stock at par, previously approved by the Commission in Docket No. 92-0384, and pay related expenses. The use of these proceeds are expected to be allocated as follows: (i) \$41,437,500 to refund the par amount of the outstanding preferred stock and (ii) up to \$562,500 for related expenses including, but not limited to, fees paid to underwriters. UE expects that it will realize substantial savings by issuing a new series of lower cost Notes to discharge existing higher cost indebtedness and preferred stock.

UE also relates that Section 6-102(b) of the Act provides in pertinent part that it does not apply to any issuance of stocks or of bonds, notes or other evidences of indebtedness 90% or more of the proceeds of which are to be used by the public utility for purposes of refunding, redeeming, or refinancing outstanding issues of stock, bonds, notes, or other evidences of indebtedness and preferred stock. Because more than

90% of the proceeds from the issuance of the Notes will be used by UE for purposes of refunding outstanding evidences of indebtedness and preferred stock, UE concludes that the proposed issuance and sale of the Notes are not subject to subsection (b) of Section 6-102.

With regard to fees, since \$166,437,500 of the \$174,000,000 proceeds will be used to refinance the principal amount of long-term debt and preferred stock, as to which the required fees have already been paid to the Commission, UE states that there is no fee required on such proceeds. As for the remaining proceeds, \$7,562,500, UE agrees to pay the required fee under section 6-108 of the Act. UE indicates that it will pay the required fee reflecting the percentage of its utility property located in Illinois no later than 30 days after service of the Commission order authorizing the Notes. For purposes of the fee calculation, as of June 30, 2002, UE states that its property situated in Illinois constitutes 3.92% of its total property wherever situated.

### **III. STAFF'S ANSWER**

Staff reviewed UE's Informational Statement and Article VI of the Act and recommends that UE's requested relief be granted. Staff concludes that UE's proposal is subject to Section 6-101, which requires the Commission to provide identification numbers for use on the proposed Notes when issued. Staff further asserts that the proposal is subject to Section 6-102(a), which requires an order authorizing UE's issuance of the Notes. Staff indicates that the order must also state the amount of the proceeds and purposes to which they are to be applied, and that such applications are reasonably required. The financing is subject to Section 6-102(d) as well, which requires the Informational Statement filed by UE and an order in conformance with Section 6-102(a). Staff indicates that UE's proposal is not subject to Section 6-102(b) since, as UE explains, 90% or more of the proceeds will be used to refund outstanding issues of stock, bonds, note, or other evidences of indebtedness. Staff also asserts that the proposed financing is not subject to Section 6-102(c), (e), or (f) or Sections 6-103 through 6-107. Staff further notes that 83 Ill. Adm. Code 240 applies, which requires UE to file reports relative to the issuance and sale of the Notes and application of the proceeds, unless the Commission order provides otherwise.

Staff reports that UE's proposal is subject to Section 6-108. No fee, however, is required in connection with \$166,437,500 of the proposed issuance since the proceeds will be used for the purpose of refunding or refinancing outstanding debt for which a fee was previously paid, and so long as the proceeds will not be used for the purpose of paying expenses associated with the issuance. With respect to the remaining \$7,562,500 of the proceeds, Staff states that UE should be required to pay an amount equal to 20 cents for every \$100 of the \$7,562,500 principal amount of bonds authorized by the Commission to be applied to the purpose of refunding debt and preferred stock for which no fee has been previously paid, prorated by the percentage of UE's property situated in Illinois. Staff agrees that as of June 30, 2002, 3.92% of UE's total property was situated in Illinois. Staff concludes that the resulting required

fee of \$592.90 should be paid no later than 30 days after service of the Commission order authorizing the issuance of the Notes

#### **IV. FINDINGS AND ORDERING PARAGRAPHS**

The Commission, having considered the entire record and being fully advised in the premises, is of the opinion and finds that:

- (1) UE is a corporation engaged in the sale and distribution of electricity in Illinois and, as such, is a public utility within the meaning of the Act;
- (2) the Commission has jurisdiction over UE and the subject matter of this proceeding;
- (3) the recitals of fact set forth in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;
- (4) UE's proposed issuance of \$174,000,000 aggregate principal amount of Notes, the proceeds of which are to be applied to refunding, redeeming, and/or refinancing outstanding evidences of indebtedness and preferred stock, as described herein, is not subject to the provisions of Section 6-102(b), and should be approved in accordance with Section 6-102(d);
- (5) the funds to be obtained from the issuance of the Notes are reasonably required for the purposes described herein;
- (6) in accordance with Section 6-101, UE should, before issuance of the Notes described herein, cause the following identification number to be placed on the face of such securities: Ill. C.C. No. 6226;
- (7) UE should comply with the reporting requirements of 83 Ill. Adm. Code 240; and
- (8) UE should pay a fee in the amount of \$592.90 in accordance with Section 6-108 of the Act.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that the proposed issuance by Union Electric Company d/b/a AmerenUE of \$174,000,000 aggregate principal amount of Senior Notes in one series, the proceeds of which shall be applied to refunding, redeeming, and/or refinancing outstanding evidences of indebtedness and preferred stock, as described herein, is not subject to the provisions of Section 6-102(b) of the Act, and is hereby approved in accordance with Section 6-102(d) of the Act.

IT IS FURTHER ORDERED that Union Electric Company d/b/a AmerenUE shall comply with Findings (6) through (8) of this Order.

IT IS FURTHER ORDERED that, subject to the provisions of Section 10-113 of the Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By order of the Commission this 6<sup>th</sup> day of August, 2002.

(SIGNED) RICHARD L. MATHIAS

Chairman